

FISCAL NOTE

Bill #: SB0177

Title: Revise ANB funding

Primary Sponsor: Ryan, D

Status: As amended in Senate committee

Sponsor signature	Date	David Ewer, Budget Director	Date
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Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$30,730,050	\$39,299,768
Revenue:		
General Fund	\$0	\$0
Net Impact on General Fund Balance:	(\$30,730,050)	(\$39,299,768)

<input checked="" type="checkbox"/> Significant Local Gov. Impact	<input checked="" type="checkbox"/> Technical Concerns
<input type="checkbox"/> Included in the Executive Budget	<input type="checkbox"/> Significant Long-Term Impacts
<input type="checkbox"/> Dedicated Revenue Form Attached	<input checked="" type="checkbox"/> Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

- SB 177 applies only to FY 2006 and FY 2007 public school funding.
- The average number belonging (ANB) in K-12 public schools under present law and SB 177 would be as follows:

FY 2006

	<u>Present Law</u>	<u>SB 177</u>
K-6 ANB	71,263	73,112
7-8 ANB	24,958	25,274
<u>9-12 ANB</u>	<u>49,363</u>	<u>49,820</u>
Total ANB	145,584	148,206

FY 2007

	<u>Present Law</u>	<u>SB 177</u>
K-6 ANB	70,772	71,862
7-8 ANB	24,353	24,815
<u>9-12 ANB</u>	<u>48,643</u>	<u>49,209</u>
Total ANB	143,768	145,886

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3. SB 177 increases both the FY 2005 elementary per-ANB entitlement and the FY 2005 high school per-ANB entitlement for FY 2006. The basic and per-ANB entitlements will be set as follows:

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>
Basic entitlement EL	\$19,859	\$20,275	\$20,718
Basic entitlement HS	\$220,646	\$225,273	\$230,199
Per-ANB entitlement EL	\$4,031	\$4,366	\$4,456
Per-ANB entitlement HS	\$5,371	\$5,534	\$5,654
Direct State Aid Percentage	44.7%	44.7%	44.7%

4. SB 177 allows districts to use either the current year ANB or the 3-year ANB provided in 20-9-311. This fiscal note is based on “the current year ANB or the 3-year ANB provided in 20-9-311” whichever generates the greatest maximum general fund budget.
5. The statewide taxable valuations will increase by 2.5 percent in FY 2006 and 2.8 percent in FY 2007.
6. Under current statute direct state aid will be \$322.38 million in FY 2006 and \$318.42 million in FY 2007. Special education payments will be \$36.4 million in FY 2006 and FY 2007. Guaranteed tax base aid to schools will be \$102.04 million in FY 2006 and \$100.17 million in FY 2007.
7. SB 177 does not affect the state special education appropriation, which has been estimated at the FY 2005 amount.
8. Present law (MCA 20-9-326) requires the Governor to include inflation adjustments for the entitlements in the recommendations presented to the legislature. These present law entitlements result in the following expenditures: direct state aid will be \$329.36 million in FY 2006 and \$332.62 million in FY 2007. Special education payments remain at \$36.4 million in FY 2006 and FY 2007. Guaranteed tax base aid to schools will be \$104.62 million in FY 2006 and \$105.40 million in FY 2007. County retirement costs will be \$21.52 million in FY 2006 and \$22.23 million in FY 2007.
9. Under SB 177, direct state aid will be \$344.76 million in FY 2006 and \$347.18 million in FY 2007. Guaranteed tax base aid paid to schools will be \$110.35 million in FY 2006 and \$110.69 million in FY 2007. County retirement costs will be \$21.97 million in FY 2006 and \$22.65 million in FY 2007.

FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Expenditures:</u>		
Local Assistance – present law (MCA 20-9-326)	\$ 9,556,366	\$19,427,336
Local Assistance – new proposal	<u>21,173,685</u>	<u>19,872,432</u>
TOTAL	\$30,730,050	\$39,299,768
<u>Funding of Expenditures:</u>		
General Fund (01)	\$30,730,050	\$39,299,768
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(\$30,730,050)	(\$39,299,768)

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EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

School districts will respond to SB 177 in three ways. Many districts will increase general fund spending; others will provide property tax relief. Some districts will combine the two approaches.

- Districts that are currently spending at the BASE budget level will be required to increase spending and local property taxes to achieve the new BASE level.
- Increases in property taxes to support the over-BASE portion of school district budgets will require voter approval.
- Property taxes over the Maximum budgets will be reduced by this proposal.

TECHNICAL NOTES:

1. Difficulties in implementing SB 177 by July 1, 2005, may occur in several areas including: a.) the time frame will be short for programming budgeting tools that allow districts to budget to their best advantage; and b.) voting requirements for budget election deadlines may have to be legislatively adjusted. This voting issue has been addressed in the title of SB 177 as amended, but not addressed within the amendments.
2. Implementation to the Montana Automated Education Financial and Information Reporting System (MAEFAIRS) for a two-year program will be very time consuming.
3. Section 6 of SB 177 as amended at 20-9-311(10)(A) needs clarified by adding the underlined text as follows: “using the current year ANB” for all budget units or the 3-year average ANB” for all budget units. This would eliminate the possibility of a district misinterpreting this section to allow current year ANB for one budget unit while using 3-year average ANB for another budget unit in the same district.